

THE OFFICE OF REGULATORY STAFF

DIRECT TESTIMONY

OF

HANNAH K. MAJEWSKI

MARCH 14, 2013



DOCKET NO. 2012-199-S

**Application of JACABB Utilities, LLC for
Approval of Sewer Rates, Terms and
Conditions for The Shoals and Anchor
Point in Anderson County, South
Carolina**

DIRECT TESTIMONY OF HANNAH K. MAJEWSKI

FOR

THE OFFICE OF REGULATORY STAFF

DOCKET NO. 2012-199-S

IN RE: APPLICATION OF JACABB UTILITIES, LLC

FOR APPROVAL OF SEWER RATES, TERMS, AND CONDITIONS FOR THE

SHOALS AND ANCHOR POINT IN ANDERSON COUNTY, SOUTH

CAROLINA

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Hannah K. Majewski, and my business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina Office of Regulatory Staff (“ORS”) as the Program Specialist for the Water and Wastewater Department.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I received a Bachelor of Arts Degree in English from the University of South Carolina in 1990. I have been employed by the State of South Carolina for approximately 23 years, the last 6 years with the ORS.

1

2 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
3 **PROCEEDING?**

4 A. The purpose of my testimony is to set forth the ORS staff findings relative
5 to the review of the rate increase application submitted by JACABB Utilities,
6 LLC ("JACABB"). Specifically, I will focus on JACABB's compliance with the
7 Public Service Commission of South Carolina's ("Commission" or "PSC") rules
8 and regulations, ORS's Business Compliance Review of JACABB's wastewater
9 system, test-year revenue and proposed revenue, and performance bond
10 requirement.

11 **Q. ARE THE FINDINGS OF YOUR REVIEW CONTAINED IN THIS**
12 **TESTIMONY AND ACCOMPANYING EXHIBITS?**

13 A. Yes, my testimony and the attached exhibits detail ORS's findings and
14 recommendations.

15 **Q. PLEASE EXPLAIN HOW YOU COMPILED INFORMATION FOR YOUR**
16 **TESTIMONY AND EXHIBITS.**

17 A. I used ORS's Business Office Compliance Review results, information
18 provided by JACABB in its application and additional information provided by
19 JACABB during the course of our business review and facility site inspections. I
20 also reviewed JACABB's financial statements and performance bond documents
21 submitted to the Commission.

1 **Q. PLEASE PROVIDE AN OVERVIEW OF THE LOCATIONS, SERVICE**
2 **TYPES AND CUSTOMER BASE SERVED BY JACABB IN THIS**
3 **APPLICATION.**

4 A. JACABB is a public utility providing wastewater collection and treatment
5 service for The Shoals and Anchor Point in portions of Anderson County.
6 JACABB is currently a National Association of Regulatory Utility
7 Commissioners (“NARUC”) Class B wastewater utility according to wastewater
8 revenues reported in its 2011 annual report. According to JACABB’s application
9 for the test year ending December 31, 2011, wastewater collection and treatment
10 services were provided to 61 residential customers, and one apartment complex
11 for a total of 62 billing accounts.

12 **Q. WAS ORS AWARE THAT JACABB PROVIDED SERVICE VIA**
13 **CONTRACT TO CEDAR RIDGE ESTATES IN JACKSON, NORTH**
14 **CAROLINA?**

15 A. No. ORS was unaware that JACABB was providing service to Cedar
16 Ridge Estates in North Carolina. ORS became aware of the contract between
17 JACABB and Cedar Ridge Estates after reading Mr. Steve Goldie’s testimony
18 filed in this docket.

19 **Q. WAS THE CEDAR RIDGE ESTATES CONTRACT APPROVED BY THE**
20 **COMMISSION?**

21 A. No. JACABB did not seek approval from this Commission to serve Cedar
22 Ridge Estates. The North Carolina Utilities Commission issued Order No. W-
23 1298, SUB 0 approving JACABB to provide service to Cedar Ridge Estates.

1 ORS has requested JACABB also seek approval from the PSC as required
2 pursuant to 10 S.C. Code Regs. 103-541 and 103-743 (Supp. 2012).

3 **Q. WHEN DID JACABB ACQUIRE THE CEDAR RIDGE ESTATES**
4 **SERVICE AREA?**

5 A. According to the NC Utilities Commission's Order, the Cedar Ridge
6 Estates service area was acquired in 2012. See Exhibit HKM-1.

7 **Q. PLEASE EXPLAIN EXHIBIT HKM-2 OF YOUR REPORT.**

8 A. Exhibit HKM-2 provides a summary of the Business Office Compliance
9 Review completed by ORS. During the Business Office Compliance Review,
10 ORS reviewed JACABB's office records to determine compliance with
11 Commission rules and regulations. JACABB has met the 2011 Annual Report
12 and Gross Receipts reporting requirements.

13 **Q. PLEASE EXPLAIN EXHIBIT HKM-3 OF YOUR REPORT.**

14 A. Exhibit HKM-3 is a summary of the wastewater collection and treatment
15 system facilities inspected by ORS on February 6, 2013. During the ORS facility
16 inspection, JACABB appeared to be responsive to the South Carolina Department
17 of Health and Environmental Control and federal environmental requirements
18 which are applicable to the operation of its wastewater collection and treatment
19 system.

20 **Q. DOES ORS RECOMMEND ANY ADJUSTMENTS TO THE TEST YEAR**
21 **WASTEWATER SERVICE REVENUES OF JACABB?**

22 A. Yes. ORS completed a comprehensive review of JACABB's customer
23 wastewater revenue calculations for the test year. Based on that review, ORS

1 made revenue adjustments totaling \$1,430 to JACABB's test year wastewater
2 service revenues. These revenue adjustments normalize the customer billing
3 information provided by JACABB. ORS imputed test year revenue based on
4 customer billing information provided in the original application and
5 supplemental customer data provided by JACABB. Commission approved rates
6 were applied to all customers.

7 **Q. EXPLAIN THE TEST YEAR WASTEWATER SERVICE REVENUE**
8 **AMOUNTS COMPUTED BY ORS FOR JACABB.**

9 A. Exhibit HKM-4 summarizes JACABB's service revenues for the test year
10 ending December 31, 2011. ORS used JACABB's current rates as approved by
11 the Commission and proposed rates as reflected in the application for each
12 calculation.

13 In summary, ORS calculated JACABB's test year service revenue for
14 residential and commercial wastewater operations, as adjusted, of \$42,420. For
15 comparison purposes, ORS calculated JACABB's proposed residential and
16 commercial wastewater service revenues, as adjusted, of \$82,416. ORS did not
17 factor customer growth into these service revenue comparisons.

18 ORS proposes an adjustment to Late Fees revenue of \$76 to synchronize
19 Late Fees revenue to the proposed rates in JACABB's application. The detail for
20 this adjustment is reflected in ORS Audit Exhibit GS-1 provided by ORS witness
21 Gaby Smith.

22 As shown in Exhibit HKM-5 the projected growth for JACABB is
23 approximately 1.56250% for wastewater service.

1 **Q. PLEASE EXPLAIN EXHIBIT HKM-6 OF YOUR REPORT.**

2 A. Exhibit HKM-6 is a summary of JACABB's current PSC approved rates
3 and proposed rates.

4 **Q. PLEASE EXPLAIN THE STATUS OF THE PERFORMANCE BOND FOR**
5 **JACABB.**

6 A. JACABB has a current performance bond for utility operations in the form
7 of a Personal Financial Statement on file with the PSC in the amount of \$100,000.
8 Based on the expenses from the test year and using the criteria set forth in 10 S.C.
9 Code Regs. 103-512.3.1, ORS determined that the face amount of JACABB's
10 bond should be \$100,000 for wastewater operations (Exhibit HKM-7).
11 JACABB's adjusted bonding criteria expenses for the test year after the proposed
12 increase were \$57,839 for wastewater operations.

13 ORS recognizes this Application by JACABB applies to the rates and
14 charges for the The Shoals and Anchor Point service area. However, the 2011
15 Annual Report submitted by JACABB includes information for all of the utility's
16 service areas. Based on the expenses listed in the 2011 Annual Report, ORS
17 recommends the Commission require JACABB to increase its performance bond
18 to \$300,000 for sewer service which will provide sufficient surety for all of the
19 utility's service area as it is in the public interest for JACABB to obtain a bond
20 that satisfies the criteria set forth in S.C. Code Ann. Section 58-5-720.

21 **Q. ON WHAT BASIS DOES ORS MAKE DEPRECIABLE SERVICE LIFE**
22 **RECOMMENDATIONS?**

1 A. ORS recommendations are based on the conclusions outlined in the
2 Florida Public Service Commission Water and Wastewater System Regulatory
3 Law as recommended by the NARUC staff. ORS's approach and conclusions
4 made concerning depreciation are consistent with the Public Utility Depreciation
5 Practices manual as published by NARUC in 1996. No adjustments were made
6 since the impact from the use of the various assets was considered normal.

7 **Q. WHAT OPERATING MARGIN DOES ORS RECOMMEND FOR**
8 **JACABB IN THIS RATE CASE?**

9 A. Using ORS' proposed adjustments for the test year ending December 31,
10 2011, the Operating Margin computed by ORS for JACABB is -34.89%.
11 JACABB's proposed increase, with ORS proposed adjustments, would generate
12 an operating margin of 21.27%. ORS recommends an operating margin range of
13 10-15% which will provide a prudent balance between the consumer's need for
14 affordable, quality services and JACABB's financial health. It is the position of
15 ORS that this operating margin range, as recommended, is fair and reasonable and
16 balances the overall public interest. I would request the Commission approve
17 rates that would produce an operating margin within this range.

18 **Q. PLEASE EXPLAIN EXHIBIT HKM-8 OF YOUR REPORT**

19 A. Exhibit HKM-8 demonstrates the effect of the proposed rate increase on
20 customer bills.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. W-1298, SUB 0

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of		
Application by JACABB Utilities, LLC, 210 W. North)	ORDER GRANTING
Second Street, Seneca, South Carolina 29768, for)	FRANCHISE,
a Certificate of Public Convenience and Necessity)	APPROVING RATES,
for Water Utility Service in Cedar Ridge Estates)	AND REQUIRING
Subdivision in Jackson County, North Carolina, and)	CUSTOMER NOTICE
for Approval of Rates)	

BY THE COMMISSION: On July 19, 2011, JACABB Utilities, LLC (Applicant), filed an application with the Commission seeking a certificate of public convenience and necessity for providing water utility service in the 60-lot Cedar Ridge Estates Subdivision in Jackson County, North Carolina, and approval of rates. The Applicant states that it provides water utility service as the contract operator to 37 residential customers who are not being charged individually for those services and that no other person or utility seeks to provide the utility services proposed. The Applicant operates a community well system, with 3 wells, 27,500 gallons of storage, and chemical treatment.

On January 10, 2012, the Commission issued an Order requiring customer notice and specifying that the matter may be determined without public hearing if no significant protests are received subsequent to notice. The Applicant filed a Certificate of Service on January 17, 2012. The customer protest period has expired, and no protests have been received from customers.

On the basis of the verified application and the records of the Commission, the Commission makes the following

FINDINGS OF FACT

1. This is the first franchise sought by the Applicant. Currently there are 37 customers. The Applicant stated that it is not charging rates. The Applicant proposes to serve the 60 current customers.

2. The Public Staff has recommended that the Applicant be required to post a \$10,000 bond for Cedar Ridge Estates Subdivision. The Applicant has filed a \$10,000 corporate surety bond.

3. The Applicant's proposed rates and the Public Staff's recommended rates are as follows:

Quarterly Metered Water Utility Service Rates:

A. Base charge, includes first 10,500 gallons of usage

Residential Rate, 5/8 x 3/4-inch meter	\$ 105.00
Commercial and Others	
5/8 x 3/4-inch meter	\$ 105.00
3/4-inch meter	\$ 126.00
1-inch meter	\$ 168.00
1 1/2-inch meter	\$ 291.00
2-inch meter	\$ 426.00
3-inch meter	\$ 675.00
4-inch meter	\$1,185.00
6-inch meter	\$2,250.00

B. Usage charge, per 1,000 gallons, after first 10,500 gallons

10,501 to 15,000 gallons	\$ 3.75
15,001 to 24,000 gallons	\$ 7.00
24,001 and above	\$ 12.00

New Customer Administrative Charge: \$ 25.00

New Customer Connection Fee

5/8 x 3/4-inch meter	\$ 500.00
All other meter sizes	Actual cost of installation

4. The Applicant operates a community well system, with 3 wells, 27,500 gallons of storage, and chemical treatment.

5. The Applicant has the technical, managerial and financial capacity to provide water utility service for Cedar Ridge Estates Subdivision in Jackson County, North Carolina.

6. The Applicant has filed all exhibits required with the application.

7. On July 11, 2011, the Cedar Ridge Estates Property Owner's Association (POA) and the Applicant entered into a Water System Asset Purchase Agreement for the existing water supply and distribution system, subject to the prior approval by the North Carolina Department of Environment and Natural Resources (DENR) and the Commission.

8. Previously, DENR approved plans for water utility service in phases, as follows: Well No. 1 on September 8, 1989 (revised May 17, 1990); Well No. 2 on February 24, 1993; and Well No. 3, on May 27, 2008.

9. Included in the application was a request for waiver of the requirement in Commission Rule R7-3(a) that records of the utility be kept at the office or offices of the utility in North Carolina. The Applicant requested that it be allowed to keep its records at its office in Seneca, South Carolina, and stated that it will make the records available in North Carolina when requested by the Commission or the Public Staff. The Public Staff stated to the Commission that the Public Staff believes the requested waiver is reasonable and should be granted.

Based upon the foregoing, the Commission is of the opinion that \$10,000 corporate surety bond should be accepted and approved; that the water utility franchise requested by the Applicant in Cedar Ridge Estates Subdivision should be granted; and that the requested rates should be approved. The Commission further concludes that the requested waiver be granted.

IT IS, THEREFORE, ORDERED as follows:

1. That the \$10,000 corporate surety bond filed in this proceeding is accepted and approved.

2. That the Applicant is granted a certificate of public convenience and necessity to provide water utility service in Cedar Ridge Estates Subdivision in Jackson County, North Carolina. The service area covered in the franchise is the area shown on the plans attached as Exhibit 10 (labeled Exhibit 5) to the application form filed in this docket.

3. That Appendix A constitutes the Certificate of Public Convenience and Necessity.

4. That the Schedule of Rates attached as Appendix B is approved for water utility service in Cedar Ridge Estates Subdivision. Said Schedule of Rates is authorized to become effective for service rendered on and after the date of this Order.

5. That Applicant is granted a waiver of Commission Rule R7-3(a) and may keep the records of its North Carolina utility operations at Applicant's office in Seneca, South Carolina, but Applicant shall make the records available in North Carolina when requested by the Commission or the Public Staff.

6. That existing customers will not pay any meter installation fee or new customer administrative charge.

7. That the Applicant shall keep its records at its office in Seneca, South Carolina, but will make the records available in North Carolina upon request by the Commission or the Public Staff.

8. That the Notice to Customers, attached as Appendix B, be mailed with sufficient postage or hand delivered by the Applicant to all customers in Cedar Ridge Estates no later than 7 days after the date of this Order; and that the Applicant submit to the Commission the attached Certificate of Service properly signed and notarized not later than 10 days after the date of this Order.

ISSUED BY ORDER OF THE COMMISSION.

This the 2nd day of May, 2012.

NORTH CAROLINA UTILITIES COMMISSION

Gail L. Mount

Gail L. Mount, Chief Clerk

rb042312.07



ORS BUSINESS OFFICE COMPLIANCE REVIEW

Utility: JACABB Utilities, LLC.

Inspector: Hannah Majewski

Office: 210 N. West 2nd St., Seneca SC

Utility Type: **Wastewater**

Date: 2-6-13

Company Representative: Steve Goldie, Sheila Tinsley, Miranda Roper, Henry Dyar

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
1	All records and reports available for examination in accordance with Rule R.103-510.	X		Kept in office
2	Complaint records maintained in accordance with R.103-516	X		
3	Utility's rates, its rules and regulations, and its up-to-date maps and plans available for public inspection in accordance with R.103-530.	X		
4	Established procedures to assure that every customer making a complaint is made aware that the utility is under the jurisdiction of the Public Service Commission of South Carolina and that the customer has the right to register the complaint in accordance with R.103-530.	X		
5	Deposits charged within the limits established by R.103-531.	X		No deposits charged
6	Timely and accurate bills being rendered to customers in accordance with R.103-532.	X		Bills issued last week of the month
7	Bill forms in accordance with R.103-532.	X		
8	Adjustments of bills handled in accordance with R.103-533	X		
9	Policy for customer denial or discontinuance of service in accordance with R.103-535.	X		
10	Notices sent to customers prior to termination in accordance with Rule R.103-535.	X		
11	Notices filed with the Commission of any violation of PSC or DHEC rules which affect service provided to its customers in accordance with rule R.103-514-C.	X		

#	Compliance Regulation	In Compliance	Out of Compliance	Comments
12	Utility has adequate means (telephone, etc.) whereby each customer can contact the water and/or wastewater utility at all hours in case of emergency or unscheduled interruptions or service in accordance with R.103-530.	X		
13	Records maintained of any condition resulting in any interruption of service affecting its entire system or major division, including a statement of time, duration, and cause of such an interruption in accordance with R.103-514.	X		
14	Utility advised the Commission, in accordance with Rule 103-512 of the name, title, address and telephone number of the person who should be contacted in connection with general management duties, customer relations, engineering operations, emergencies during non-office hours.	X		
15	Company verified the maps on file with the Commission include all the service area of the company.	X		
16	Number of customers the company has at present time.	X		66 (65 residential, 1 apartment building)
17	Company has a current performance bond on file with the Commission. Amount of bond: \$ 100,000.00	X		
18	Utility maintains a documented Safety Program.	X		
19	Utility maintains a documented Emergency Response plan.	X		
20	Utility maintains a documented Preventative Maintenance plan.	X		
21	Utility submitted a current Annual Report.	X		
22	Utility submitted Gross Receipts report and payment.	X		



ORS WASTEWATER SYSTEM INSPECTION REPORT

Inspection Overview

Date Inspected:	February 6, 2013
Inspector Name:	Hannah Majewski
Docket Number:	2012-199-S
Utility Name:	JACABB Utilities, LLC
Utility Representative:	Steve Goldie, Henry Dyar
Number of Customers:	66
System Type (collection, force main, lagoon, etc):	Collection/treatment
Location of System:	Anderson Co.
Location of Utility Office:	210 N. West 2 nd St., Seneca SC
Treatment Type:	biological, chlorine, dechlorination
Permit #:	SC0021873
Last SC DHEC Compliance Rating:	Satisfactory
Frequency checked by WWTF Operator:	Daily
Drinking Water Provider:	Sandy Springs Water District

Inspection Results

	System Components Inspected	Compliance		Comments
		Yes	No	
1	Chlorinator	x		
2	Other chemicals in use	x		dechlorination
3	Aerators present			No aerators present. Blowers are used.
4	Plant fenced and locked	x		
5	Warning Signs Visible	x		
6	Fence in good condition	x		
7	Dikes in good condition	x		
8	Odor non-existent or limited	x		
9	Grass mowed	x		
10	Duckweed/Algae acceptable	x		
11	Grease build-up acceptable	x		
12	Plant free of debris	x		
13	Effluent Color acceptable	x		
14	Lift Stations present	x		
15	Failure Warning System adequate	x		
16	Electric Wiring adequate	x		
17	System free of leaks	x		
18	System free of overflows	x		
19	Access road adequate	x		
20	Ability for service area to expand	x		

Additional Comments: None

JACABB Test Year Revenues at Current Rates

Service Type	Classification	Equivalent Service Units	Fee per Unit	Test Year Calculated Revenues
SEWER	Residential	65	\$35.00	\$27,300
	Anchor Point	1	\$1,260.00	\$15,120
	TOTAL RESIDENTIAL REVENUE			\$42,420
	Commercial	0	\$35.00	\$0
	TOTAL COMMERCIAL REVENUE			\$0
TOTAL SEWER SERVICE REVENUE				\$42,420
Late Fees				\$81
Other Sewer Revenues - Notification Fees				\$60
Customer Account Charge				\$0
TOTAL OTHER REVENUE				\$141
TOTAL OPERATING REVENUE				\$42,561

JACABB Test Year Revenues at Proposed Rates

Service Type	Classification	Service Units	Fee per Unit	Test Year Proposed Revenues	Increased Amount	% Increase
SEWER	Residential	65	\$68.00	\$53,040	\$25,740	94.3%
	Anchor Point	1	\$2,448.00	\$29,376	\$14,256	94.3%
	TOTAL RESIDENTIAL REVENUE			\$82,416	\$39,996	94.3%
	Commercial	0	\$68.00	\$0	\$0	N/A
	TOTAL COMMERCIAL REVENUE			\$0	\$0	N/A
TOTAL SEWER SERVICE REVENUE				\$82,416	\$39,996	94.3%
Late Fees				\$157	\$76	93.8%
Other Sewer Revenues - Notification Fees				\$90	\$30	50.0%
Customer Account Charge				\$75	\$75	N/A
TOTAL OTHER REVENUE				\$322	\$181	N/A
TOTAL OPERATING REVENUE				\$82,738	\$40,177	94.4%

JACABB Utilities, LLC
Docket Number 2012-199-S
ORS Customer Growth Calculation

Exhibit HKM-5

Date	Customer Growth		
	Residential	Multifamily	Total Customers
12/31/2010	62	1	63
12/31/2011	64	1	65
Average	63	1	64

Growth Factor for Wastewater Operations

Date	# of Customers	
12/31/2011	65	
Average	64	
Growth Factor	0.0156250	1.56250%

JACABB Utilities, LLC
The Shoals and Anchor Point
Docket Number 2012-199-S
Sewer Rate Schedule

Exhibit HKM - 6

1. <u>MONTHLY CHARGE</u>	Current	Proposed
Residential – Monthly charge per single family house, condominium, villa or apartment unit	\$35.00	\$68.00
Commercial – Monthly charge per single family equivalent	\$35.00	\$68.00
Anchor Point (36 single-family units)	\$1,260.00	\$2,448.00

The monthly charges listed above are minimum charges and shall apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the monthly charges may be calculated by multiplying the equivalency rating by the monthly charge then in effect.

Commercial customers are those not included in the residential category above and include, but are not limited to, hotels, stores, restaurants, offices, industry, etc.

The Utility may, for the convenience of the owner, bill a tenant in a multi-unit building, consisting of four or more residential units which are served by a master sewer meter or a single sewer connection. However, in such cases all arrearages must be satisfied before service will be provided to a new tenant or before interrupted service will be restored. Failure of an owner to pay for services rendered to a tenant in these circumstances may result in service interruptions.

2. NONRECURRING CHARGES

Sewer service connection charge per single family equivalent	\$250.00
Plant impact fee per single-family equivalent	\$800.00

The nonrecurring charges listed above are minimum charges and apply even if the equivalency rating is less than one (1). If the equivalency rating is greater than one (1), then the proper charge may be obtained by multiplying the equivalency rating by the appropriate fee. These charges apply and are due at the time new service is applied for, or at the time connection to the sewer system is requested.

JACABB Utilities, LLC
The Shoals and Anchor Point
Docket Number 2012-199-S
Sewer Rate Schedule

Exhibit HKM - 6

3. OTHER CHARGES

Notification Fee: \$15.00

A fee of \$15.00 shall be charged each customer to whom the Utility mails the notice as required by Commission Rule R.103-535.1 prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customers creating that cost.

Customer Account Charge: \$25.00

A fee of \$25.00 shall be charged as a one-time fee to defray the costs of initiating service.

Returned Check Fee: \$30.00

A fee of \$30.00 shall be charged for any check that is returned due to insufficient funds.

Reconnection charges: \$250.00

In addition to any other charges that may be due, a reconnection fee of \$250.00 shall be due prior to the Utility reconnecting service which has been disconnected for any reason set forth in Commission Rule R.103-532.4. Where an elder valve has been previously installed, a reconnection charge of thirty-five dollars (\$35.00) shall be due. The amount of the reconnection fee shall be in accordance with R. 103-532.4 and shall be changed to conform with said rule as the rule is amended from time to time.

4. BILLING CYCLE

Recurring charges will be billed monthly. Nonrecurring charges will be billed and collected in advance of service being provided.

5. LATE PAYMENT CHARGES

Any balance unpaid within twenty-five (25) days of the billing date shall be assessed a late payment charge of one and one-half (1½%) percent.

6. TOXIC AND PRETREATMENT EFFLUENT GUIDELINES

The Utility will not accept or treat any substance that has been defined by the United States Environmental Protection Agency ("EPA") or the South Carolina Department of Health and Environmental Control ("DHEC") as a toxic pollutant, hazardous waste, or hazardous substance, including pollutants falling within the provisions of 40 CFR §§ 129.4 and 401.15. Additionally, pollutants or pollutant

properties subject to 40 CFR §§ 403.5 and 403.6 are to be processed according to the pretreatment standards applicable to such pollutants or pollutant properties, and such standards constitute the Utility's minimum pretreatment standards. Any person or entity introducing any such prohibited or untreated materials into the Utility's sewer system may have service interrupted without notice until such discharges cease, and shall be liable to the Utility for all damages and costs, including reasonable attorney fees, incurred by the Utility as a result thereof.

7. CONSTRUCTION STANDARDS

The Utility requires all construction to be performed in accordance with generally accepted engineering standards, at a minimum. The Utility from time to time may require that more stringent construction standards be followed in constructing parts of the system.

8. EXTENSION OF UTILITY SERVICE LINES AND MAINS

The Utility shall have no obligation at its expense to extend its utility service lines or mains in order to permit any customer to discharge acceptable wastewater into its sewer system. However, anyone or any entity which is willing to pay all costs associated with extending an appropriately sized and constructed main or utility service line from his/her/its premises to an appropriate connection point on the Utility's sewer system may receive service, subject to paying the appropriate fees and charges set forth in this rate schedule, complying with the guidelines and standards hereof, and, where appropriate, agreeing to pay an acceptable amount for multi-tap capacity.

9. CONTRACTS FOR MULTI-TAP CAPACITY

The Utility shall have no obligation to modify or expand its plant, other facilities or mains to treat the sewerage of any person or entity requesting multi-taps (a commitment for five or more taps) unless such person or entity first agrees to pay an acceptable amount to the Utility to defray all or a portion of the Utility's costs to make modifications or expansions thereto.

10. SINGLE FAMILY EQUIVALENT

A Single Family Equivalent (SFE) shall be determined by using the South Carolina Department of Health and Environmental Control Guidelines for Unit Contributory Loading for Domestic Wastewater Treatment Facilities –25 S.C. Code Ann. Regs. 61-67 Appendix A (Supp. 2012), as may be amended from time to time. Where the Utility has reason to suspect that a person or entity is exceeding the design loadings established by the Guidelines for Unit Contributory Loadings for Domestic Wastewater Treatment Facilities, the Utility shall have the

JACABB Utilities, LLC
The Shoals and Anchor Point
Docket Number 2012-199-S
Sewer Rate Schedule

Exhibit HKM - 6

right to request and receive water usage records from that person or entity and/or the provider of water to such person or entity. Also, the Utility shall have the right to conduct an “on premises” inspection of the customer’s premises. If it is determined that actual flows or loadings are greater than the design flows or loadings, then the Utility shall recalculate the customer’s equivalency rating based on actual flows or loadings and thereafter bill for its services in accordance with such recalculated loadings.

JACABB Utilities, LLC
Docket Number 2012-199-S
Performance Bond Requirement

Exhibit HKM-7

Bond Value Components	JACABB - Wastewater		
	Application Per Books	After Accounting & Pro forma Adjustments	After Proposed Increase
Purchased Power	\$5,950	\$5,950	\$5,950
Chemicals	\$1,617	\$1,617	\$1,617
Contractual Services: Professional	\$0	\$0	\$0
Contractual Services: Accounting	\$602	\$602	\$602
Contractual Services: Management Fees	\$19,371	\$29,220	\$29,220
Contractual Services: Testing	\$2,445	\$2,445	\$2,445
Contractual Services: Other	\$3,308	\$1,798	\$1,798
Insurance	\$964	\$964	\$964
Regulatory Commission Expense	\$662	\$928	\$1,304
Misc.	\$2,641	\$1,766	\$1,766
Provision (benefit) for income taxes	\$889	(\$3,541)	\$4,122
Property Taxes	\$363	\$363	\$363
Rate Case	\$0	\$4,916	\$4,916
Interest Expense	\$2,088	\$2,772	\$2,772
Bond Value Requirement	\$40,900	\$49,800	\$57,839
Current Performance Bond Structure (1)	Bond Value	Expiration Date	
Personal Financial Statement	\$100,000		
Total Financial Assurance	\$100,000		

(1) Personal Financial Statement secures performance bond of \$100,000 for wastewater operations.

**JACABB Utilities, LLC
Docket Number 2012-199-S**

Impact of Proposed Rates on Customer Bills

Customer Category	Current Bill	Amount of Proposed Increase @ 94.3%	Resulting Bill
Residential Customer	\$35.00	\$33.00	\$68.00
Anchor Point (Residential)	\$1,260.00	\$1,188.00	\$2,448.00